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SUBJECT: GETTING TO KNOW YOU: MEXICAN PRESIDENT FOX VISITS CANADA

REF: OTTAWA 1687

1. (U) Introduction and Summary: Mexican President Vincente Fox marked the 60th anniversary of diplomatic relations and the 10th anniversary of NAFTA with a working visit to Canada October 24-26. Accompanied by eight cabinet-level officials, three senators, and about 40 business leaders, the President's schedule ranged from addressing a joint session of Parliament to hosting a ballet gala and speaking to university students. The most significant deliverable was agreement on a Canada-Mexico Partnership, explicitly modeled on the U.S.-Mexico Partnership for Prosperity. Both Mexican and Canadian officials confirm that discussions focussed on the bilateral relationship, with NAFTA issues to be raised in the upcoming NAFTA deputy's meeting. Canada still has not adopted Mexico's vision of a "strategic alliance" and active engagement in NAFTA plus, but the visit does mark re-invigoration of a neglected bilateral relationship. End introduction and summary.

A complete success

2. (SBU) Officials at Foreign Affairs Canada report that this was the most complex working visit they have ever hosted (due to the size and diversity of the delegation and the variety of events) and that "it couldn't have gone better." The Prime Minister's personal commitment made possible signing of the Partnership agreement and facilitated the unusually broad involvement by cabinet members. PM Martin's focus on the visit is especially noteworthy as the Provincial Premiers were in Ottawa at the same time for negotiations on federal-provincial finances. The PM went so far as to summon the Director of the Mexico desk to add some Spanish to his toast for the official dinner, so as not to be outdone by Parliamentary leaders who had addressed President Fox in Spanish during his visit to the Hill.

3. (SBU) The Mexican embassy characterized the visit, positioned as an opportunity for political dialogue, promoting business, and liaising with the (approximately 36,000 members of) the Mexican community in Canada, as a complete success. Official functions included the Martin-Fox bilateral followed by an expanded meeting with cabinet ministers, a warmly-welcomed address to Parliament and ministerial bilaterals. But the official side was leavened with glamor and outreach. The Foxes started the visit Sunday night by hosting the Prime Minister and his wife, as well as other officials, at a glittering gala around the performance of the Ballet Folklórico de Mexico. The Prime Minister reciprocated the following night with a dinner for 900 guests. The visit also included outreach to the Mexican Community (in which a surprising 500 members of Ottawa's limited Mexican population participated), a speech at Carleton University and a solid schedule for the business community. A private sector retreat in Montreal for business leaders on both sides was capped Monday with a lunch with President Fox in Ottawa hosted by the Mexican Ambassador.

4. (U) Fox also met with Opposition leaders of Parliament and with Quebec Premier Jean Charest, who will shortly be accompanying the French President to Mexico. This is Fox's third visit to Canada, and had been postponed from July due to the difficulty in scheduling so soon after the election. Although the July visit would have included stops in several cities (but not Ottawa), this visit covered the national capital area only.

Canada-Mexico Partnership leads a long list of little deliverables

5. (SBU) The headline deliverable was agreement on a Canada-Mexico Partnership modeled on the US-Mexico Partnership for Progress. A working group is being established to identify areas for further cooperation through a private-public partnership. Although the agreement does not include specific commitments, we are told that the PM does not sign such bilateral agreements lightly and this signifies a renewed commitment to the neglected bilateral relationship. Canadian business groups strongly supported the initiative. GoC and business sources commented to us, however, that Canada will resist duplicating the high-profile

(and expensive) P4P format favored by the Mexican side and hopes to develop a format, e.g. with working groups, that will provide some continuity and produce pragmatic results. One contact commented that the Canadian side had also pushed for a broadly economic theme but that the Mexicans had insisted on an emphasis on development.

16. (U) In addition to this headline agreement, the visit resulted in new money from Export Development Canada and signature of letters of intent on climate change initiatives and renewal of an LOU on health sector collaboration. There were deliverables in 13 other areas, including medical research, housing and sustainable cities, migration, professional and academic exchanges, and tourism promotion.

Open Exchange With University Students

17. (U) President Fox addressed university students on "Mexico's Vision of North America: Working Together for a Common Future" but spoke instead on democracy and good governance in Mexico. The speech drew a strong press contingent, as well as representatives from the diplomatic and academic community. Canadian and Mexican contacts were impressed by the warmth of the President's connection with the Mexican community, including the students. (Organizers anticipated that if there were demonstrations or problems they would occur at the university.) The Mexican students clearly appreciated his responses to their pointed but on-topic questions. The speech (given in English) did not break new ground, but in response to questions President Fox noted that:

--The GOM is working to provide health coverage for those outside the formal economy. They are starting with the poorest and hope to have 7 million people covered by the end of this year, and about 25 million covered within three years. That will require expanding medical infrastructure.

-- In response to a question on NAFTA institutions, such as a North American court of justice, he said the three governments are discussing the new vision for NAFTA. A court is not yet on the radar, but things will move in that direction.

-- On whether NAFTA is heading towards an EU-type arrangement or something more laissez-faire, he said "Europe is not yet the trilateral inspiration." Perhaps that will be the case in 40-50 years, but for now we are working on NAFTA-plus. All three NAFTA economies are losing jobs to China, and need to react by increasing competitiveness and productivity by uniting their resources.

-- Given US domination and the fact that there are, in fact, two bilateral relationships, what are the realistic possibilities for a North American Union? Fox responded that often the most powerful have the biggest weaknesses and painted an extremely gloomy picture of the fate of aging populations in the US and Canada that will need to rely on Mexico's abundant, talented, hardworking human resources.

-- Asked about what his government will do to halt brain-drain, he admitted that right now Mexico has a population boom and there is a lack of space: inadequate educational opportunities, jobs or housing.

Trade Minister's Bilaterals: Introductory Calls, Not NAFTA

18. (SBU) Trade contacts on both the Mexican and Canadian sides said the 45-minute bilateral between the two trade ministers on Monday morning would include discussion of ongoing NAFTA work-in-progress, such as rules of origin on textiles, and a review of progress thus far. Canada's trade minister Peterson was not briefed to raise "beyond NAFTA" issues, and both sides noted that such discussions would be inappropriate in the bilateral context, but would be discussed at the upcoming NAFTA deputies meeting. Secretary of Economy Canales' bilateral with Industry Minister Emerson on Tuesday was even briefer, scheduled as a 30-minute introductory call.

A "Strategic Alliance"? But without a Strategy

19. At a pre-visit conference on "Mexico & Canada at the turn of the 21st Century: Sixty Years of Diplomatic Relations," Mexico's Ambassador to Canada opened the discussion with remarks stressing the desire of both "strategic allies" for deeper cooperation. She noted that since the early 1990s, both Canada and Mexico have been seeking to diversify their foreign relations and gain greater autonomy from the U.S. She claimed that the greatest benefit in sharing such a long border with the U.S. is the fact that it facilitates rapprochement with Canada. There is, she said, a perception that the US designs policy for itself, but world events have reinforced the Mexico-Canada strategic alliance. The two

countries are looking for ways to reduce or eliminate the power asymmetry, so should coordinate priorities, not just react to policies imposed by the U.S.

10. (U) During the subsequent panel discussion, which the Mexican Ambassador was not able to attend, academic panelists characterized the bilateral relationship as "evolving but embryonic," providing statistics to demonstrate the room for growth. (Canada has 4% of the total stock of FDI in Mexico, but that is 40 times more than all Mexican FDI in Canada. Mexican FDI in Canada accounts for 0.8% of the total stock.) The final panelist of the morning quipped that while Canada and Mexico may have a "strategic alliance," it lacks a strategy. He characterized the situation as two North Americas, rather than one integrated market. He called for strengthening relations at the elite level (which this visit will do) and noted that while "managing the US is no cup of tea," the two countries have much to celebrate as demonstrated by the higher density of bilateral linkages over the years.

11. (U) Canada's Assistant Deputy Minister of Foreign Affairs Marc Lortie summed up the conference with a realistic but hopeful assessment of Canada-Mexico relations. He said that during the upcoming visit the two countries would launch a new mechanism to deepen economic relations. He used the term "strategic partnership", with the two countries trying to establish strong links on trade, border issues, and security. Lortie said it is still an open question how much of this strategic partnership can be put in an institutional framework and how much will continue to be carried out on an ad hoc basis. Is there a place for EU style engagement, for example? (He asked a number of open questions during his remarks).

12. (U) Lortie said that after three years of trying to manage the Americas, Fox realizes that he must be more pragmatic and more precise. He now knows the limits of trilateral mechanisms. Lortie said that Canada and Mexico have each been overwhelmed since 9/11 in managing the "relationship of all relationships," and have not dedicated time in a strategic sense to their bilateral relations. They both know that the economy will take a backseat to security. On September 20th, 2001 FM Castaneda suggested to then-deputy Prime Minister John Manley that they focus on trilateral cooperation on the border, but Canada was also cool to the idea of forming a strategic partnership with Mexico to "manage" the United States.

List of (most) Mexican Ministerial Participants

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Economy Fernando Canales
Energy Fernando Elizondo
Environment and Natual Resources Alberto Cardena
Finance and Public Credit Francisco Gil
Health Julio Frenk
Labor and Social Welfare Carlos Abascal
Public Service Eduardo Romero

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